

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-3969

February 16, 2006

R E S O L U T I O N

Resolution E-3969. This resolution grants Southern California Edison Company's request to establish a Memorandum Account to record certain SCE costs associated with interconnecting Renewables Portfolio Standard (RPS) generators.

By Advice Letter 1950-E filed December 23, 2005

SUMMARY

This Resolution approves Memorandum Accounts to record the cost of studies necessary for transmission facilities to accommodate contracts Edison signed pursuant its 2003 and 2005 RPS solicitations, but does not approve recovery of those study costs until they are reviewed for prudence.

This Resolution also requires Edison to conduct studies of specified transmission facilities to accommodate 4000 MW of unknown future Tehachapi wind generation projects, and it approves both Memorandum Account treatment and recovery of study costs.

NOTICE

Notice of AL 1950-E was made by publication in the Commission's Daily Calendar. SCE states that copies of the AL were mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

No protests to AL 1950-E were filed.

Two supporting Comments were filed.

PG&E on January 3, 2006 filed Comments supporting the concept of establishing a memorandum account to book the cost of network interconnection studies that may be incurred by the utility to facilitate achievement of RPS goals, for renewable resource projects with which SCE has signed power procurement agreements. Further, PG&E states, SCE's proposal should have the effect of encouraging more renewable development by eliminating some of the up-front costs of securing interconnection with the utility grid, and ultimately to contribute to the 20% RPS goal by 2010.

The California Wind Energy Association (CalWEA) on January 20, 2006 also filed comments supporting SCE's position in the AL that the various studies must be conducted in the next few months if the state's RPS targets are going to be met on time.

BACKGROUND

Decision 04-06-010 in the Commission's original Transmission OII directed parties to form a Collaborative to recommend facilities needed to bring 4060MW of power from the Tehachapi wind resource area (WRA) to the grid in support of the EAP goal adopted in 2003 of California reaching a 20% renewable energy consumption by the year 2010.

Edison was also directed to file CPCNs in 2004 for transmission expansion to begin to accommodate the growth in wind generation in the Tehachapi and Antelope Valley WRAs. Accordingly, SCE filed A.04-12-007 and A.04-12-008 for permission to construct 500kV lines initially operated at 230kV between Antelope and Pardee Substations, Antelope and Vincent substations and new Tehachapi Substations 1 and 2 with a 230kV line between them and a 500kV line between Tehachapi and Antelope Substations. Associated with these, SCE filed in October 2004 Advice Letter (AL) 1833-E to establish an Antelope Transmission Projects Memorandum Account to avoid retroactive ratemaking concerns when seeking recovery of costs not approved for recovery by FERC.

In December 2005 SCE filed a similar but broader Advice Letter 1950-E seeking urgent approval of tracking accounts for, among other things, its cost to perform biological studies during the 2006 spring bloom season on transmission line routes needed to provide transmission for RPS generators for which SCE already has contracts.

The schedule appearing in the March 2005 Tehachapi Collaborative report¹ indicates that IOUs must conduct in the spring of 2006 the environmental studies needed to file applications for a Certificate of Public Convenience and Necessity (CPCN) in 2006 for each Tehachapi-related transmission line route possibly required to meet the Energy Action Plan (EAP) 20% renewable energy goal by the end of 2010. If the spring 2006 opportunity were missed, spring 2007 would be the next one. Since the transmission construction process often takes 5 years or more, the EAP goal would be jeopardized.

Since issuing its first report in March 2005 the Tehachapi Collaborative Study Group (TCSG) has considered and reduced, from more than 18 to 3 the number of candidate conceptual transmission plans. The TCSG may recommend in its second report that IOUs study both the Expanded Path 26 (Tehachapi-Midway) and gen-tie (Tehachapi-Antelope) routings, even though only one may be built. The rationale is that beginning the environmental study now risks \$2-3 million of permitting costs on a line which may not be built; while delaying the in-service date of Tehachapi wind power by one year risks raising costs to ratepayers many times more than the study costs.

In its response to an Energy Division data request SCE provided the basis for the discussion and Commission interpretations below.

Transmission Facilities to be Covered by this Resolution

Advice Letter 1950-E requests authority to recover costs associated with:

- Interconnection studies (Feasibility, System Impact, and Facilities);
- Costs for engineering and environmental studies and surveys not approved for recovery by FERC in transmission rates; and
- Other capital costs not approved for recovery by FERC in transmission rates.

The authority granted by the Resolution covers recording in a memorandum account the cost of studies of interconnection facilities and network transmission upgrades necessary to interconnect RPS generation resources contracted in the 2003 and 2005 RPS solicitations and additional resources to be contracted in the

¹<http://www.cpuc.ca.gov/Published/Graphics/48819.PDF>;

future; and the recording in a memorandum account and cost recovery of Tehachapi WRA transmission projects.

In addition to recording of study costs this Resolution also grants authority for recovery of the study costs for the Tehachapi WRA.

RESPONSES TO THE DRAFT RESOLUTION

The California Wind Energy Association (CalWEA) responded supporting the resolution and making two comments:

- Upon completion of the RPS transmission facility, the RPS contract holder should be charged with the cost of the facility.
- Because a definitive transmission route has not been determined for all projects, it will not be possible to conduct spring bloom studies for those projects this year and the CPCN application will be delayed until 2007.

The CEERT responded with the following main points:

- The route of the transmission lines must be determined before biological studies can begin.
- The resolution should not direct SCE to select the Midway-Tehachapi.
- The route of the Midway-Tehachapi line should be studied jointly by SCE and PG&E.
- Cost recovery should be approved only for facilities serving more than one project.

SCE made the following main points:

- Ordering Paragraph 1 should be clarified (wording provided).
- Ordering paragraph 4 should be revised (wording provided).
- Routes for the transmission options identified by the TCSG are not sufficiently defined to begin environmental surveys.
- Ordering Paragraph 2 should cover only the Antelope-Mesa upgrade and the line(s) from Antelope to Substation 5. The submittal date for the CPCN applications cannot be before 2007 because there is not enough time this year to do environmental surveys of alternate routes for these projects.

DISCUSSION

Under present procedures, a would-be generator wanting to connect its project to the grid would apply to the CAISO and pay for a feasibility study, followed by system impact and facilities studies, which would include the selection of the transmission line route. At the conclusion of this process, an interconnection agreement with the CAISO would be signed. The generator would be responsible for the studies, permitting and construction of the connection from its facility to the network ("gen-tie"). If the connection required system upgrades including a new transmission line of 100kV or above, the utility to whose grid the connection would be made, would apply for a PTC or CPCN. In the case of a CPCN, the utility would prepare proponents environmental assessment (PEA), identifying tower locations, tower access routes and conduct biological and other studies to determine the impact on the environment the line would cause. In its advice letter, SCE proposes to perform all these studies, from the initial feasibility study to the PEA preparation for the renewables generators with which it has signed contracts, and requests cost recovery for the studies and also for the capital costs of the facilities identified in the studies.

This Resolution directs SCE to commence without delay all studies leading up to and including the spring 2006 biological studies needed to accommodate the RPS generation projects for which it has Power Purchase Agreements (PPA) contracts as well as some of the facilities needed to accommodate Tehachapi wind resource area (WRA) wind generation projects.

The work needed to accommodate Tehachapi generation consists of the following.

- Antelope to Mesa upgrades identified as Phase 2 in the TCSG report filed March 4, 2005 and the Antelope to Tehachapi Substation 5 230kV line(s). If spring bloom studies on alternate routes for these projects cannot be done in 2006, the CPCN applications will be filed without this information.
- Perform the studies necessary for the preparation of PEAs and the filing of CPCNs by the end of 2006 for a second 500kV line between Tehachapi Substation 1 and Antelope Substation in parallel with the 500kV line known as Phase 1, Segment 3 which is part of A04-12-008.
- Submit to the CPUC by 12/31/06 a recommendation for preferred and alternate routes on one of the following options:

Tehachapi Substation 1 to Midway Substation, Tehachapi Substation 1 to Vincent Substation or other alternative. Upon receipt of the recommendations, the CPUC will order the preparation of a PEA and the filing of a CPCN not later than 3/31/08 for the recommended line.

COMMENTS

Public necessity permits a waiver of the full 30-day comment period of Public Utilities Code Section 311(g) in order to secure the benefits of the tariff changes that SCE proposed in AL 1950-E. No party protested the AL and two parties supported it. We have balanced the public interest in avoiding the possible harm to public welfare flowing from delay in considering this resolution against the public interest in having the full 30-day period for review and comment as required by Rule 77.7(f)(9). We conclude that the former outweighs the latter. Because of the need to conduct the required biological studies before the 2006 spring bloom period we conclude that failure to adopt a decision before the expiration of the 30-day review and comment period would cause significant harm to the public welfare. Accordingly we reduce the comment period for this Resolution to 6 days.

Comments discussed above were timely filed by SCE, the Center for Energy Efficiency and Renewable Technologies (CEERT), and the California Wind Energy Association (CalWEA) on February 7, 2006. The Independent Energy Producer's Association (IEP) filed comments one day late on February 8, 2006.

FINDINGS

1. SCE filed AL 1950-E on December 23, 2005.
2. To avoid retroactive ratemaking SCE could track in a memorandum account its study costs related to providing transmission capacity to purchase RPS energy.
3. Biological studies must be conducted in the 2006 spring bloom season in order to maximize the renewable resource contribution to electric production.

THEREFORE IT IS ORDERED THAT:

1. Southern California Edison Company is authorized to track in a memorandum account the expenses listed below and may seek recovery of recorded expenses subject to prudence review in a formal proceeding such as an Energy Resources Recovery Account (ERRA) proceeding. Edison will charge the RPS project which is served by the facilities the expenses paid by Edison on behalf of the RPS project. Ratepayers will not be charged twice for any given expense. In the case of facilities serving more than one project, the costs will be allocated between projects in accordance with procedures to be defined in Investigation 05-09-005.
 - a) Costs associated with Feasibility Studies, System Impact Studies and Facility Studies for those RPS projects with which it has procurement contracts when completion of these studies is a necessary component of SCE's efforts to meet its RPS requirements;
 - b) Costs associated with engineering and environmental studies for facilities to interconnect and accommodate RPS resources and
 - c) Costs associated with transmission, subtransmission and substation facilities to interconnect and accommodate RPS resources.

2. Southern California Edison Company shall:
 - a) Perform the studies necessary for the preparation of PEAs and the filing of CPCNs by the end of 2006 for the Antelope to Mesa upgrades identified as Phase 2 in the TCSG report filed March 4, 2005 and the Antelope to Tehachapi Substation 5 230kV line(s). If spring bloom studies on alternate routes for these projects cannot be done in 2006, the CPCN applications will be filed without this information.
 - b) Perform the studies necessary for the preparation of PEAs and the filing of CPCNs by the end of 2006 for a second 500kV line between Tehachapi Substation 1 and Antelope Substation in parallel with the 500kV line known as Phase 1, Segment 3 which is part of A04-12-008.
 - c) Submit to the CPUC by 12/31/06 a recommendation for preferred and alternate routes on one of the following three options: Tehachapi Substation 1 to Midway Substation, Tehachapi Substation 1 to Vincent Substation, or other alternative. Upon receipt of the

recommendations, the CPUC will order the preparation of a PEA and the filing of a CPCN not later than 12/31/07 for the recommended line.

- d) The cost of these studies shall be recorded in a memorandum account and those costs that are not approved by FERC for recovery in transmission rates shall be approved for recovery in retail rates under the provisions of Public Utilities Code Section 399.25(b)(4).
3. SCE shall file and serve within 10 days of the effective date of this order Tariff Sheets revised to incorporate the accounts authorized by this Resolution.
4. SCE shall submit to the CPUC Energy Division quarterly starting 7/1/06 a progress report stating the work accomplished in the past quarter, the work accomplished from the effective date of this order and, if applicable, the parts of this resolution that will not meet the deadline contained herein, the reason(s) for the delay and the expected date of completion.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on February 16, 2006; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
GEOFFREY F. BROWN
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
Commissioners